

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6786

BILL NUMBER: HB 1268

NOTE PREPARED: Jan 8, 2008

BILL AMENDED:

SUBJECT: Regulation of Cigarette Retail Sales.

FIRST AUTHOR: Rep. Cochran

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that the Cigarette Fair Trade Act prohibits only retailers from selling cigarettes at below cost to the retailer (currently the Cigarette Fair Trade Act also prohibits distributors from making wholesale sales at below cost to the distributor). The bill eliminates a provision requiring a retailer that receives discounts ordinarily allowed on purchases by a distributor to include the distributor's cost in the basic cost to the retailer. The bill also repeals a provision regarding a distributor's cigarette cost.

Effective Date: July 1, 2008.

Explanation of State Expenditures: This bill will increase administrative costs of the Alcohol and Tobacco Commission (ATC) by requiring the ATC to amend rules and procedures concerning enforcement of the Cigarette Fair Trade Act. This increase could be offset if the sales of cigarettes increase due to a lower wholesale price.

Explanation of State Revenues: To the extent that cigarette sales are affected by these provisions, there could be an indeterminable impact on state Sales Tax and Cigarette Tax collections. It is estimated that the ability for a wholesaler to lower the sales price of cigarettes to retailers will result in a decrease in the price a retailer must charge consumers and therefore the overall sales of cigarettes could increase. The amount of any increase in sales is indeterminable and will ultimately depend on the percentage decrease in the retail price of cigarettes.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and

the Industrial Rail Service Fund (0.033%).

Cigarette Tax revenue is deposited in the state General Fund (53.68%), the Pension Relief Fund (5.43%), the Indiana Check-up Plan Trust Fund (27.05%), the Cigarette Tax Fund (4.22%), and the Mental Health Centers Fund (0.6%). Also the following amounts are deposited in the state General Fund for the listed purposes: (1) 2.46% for paying appropriations for Medicaid-Current Obligations, for provider reimbursements; (2) 2.46% for reimbursing the state for the tax credit for offering health benefit plans (IC 6-3.1-31); and (3) 4.1% for paying any appropriation for a health initiative.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected:

Information Sources:

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